



How To LIVE THE AMERICAN DREAM

Your guide to buying a home.

Wright-Patt
CREDIT UNION, INC.

WRIGHT-PATT BELIEVES:

- Helping member-owners achieve the American Dream of homeownership is one of our most important roles
- Homeownership is the best way for most Americans to build wealth
- Buying a home should be as affordable and as easy as possible
- A first home purchase should not be a process to fear
- Strong communities are built through homeownership
- We have an obligation to fight against predatory lending

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DEAR PROSPECTIVE HOMEBUYER:

Congratulations on taking the first step to living the American Dream – owning a home! By owning a home, you make your community stronger and turn your house into a home. Ironically, it's also one of the best ways for you to build wealth. We applaud you for your consideration and want to help you in any way we can in this often complicated process.

We at Wright-Patt Credit Union understand the financial commitment you must make in order to make your dream a reality. We have many lending programs that can make it easy and affordable for you to buy a home. Call us today to see how we can help you live the American Dream.

Best Regards,



Douglas A. Fecher
President & CEO
Wright-Patt Credit Union, Inc.

PREPARING FOR HOMEOWNERSHIP

Benefits of Owning a Home

Owning a home provides benefits in a lot of areas of a person's life and not the least of which is simply the feeling you get when you have a house to call your own. Along with the personal pride of having your own home, there are many financial advantages to be gained by being a homeowner.

When you own a home it allows you to both stabilize your housing costs and create long-term wealth. As an investment, the equity you accrue in your home can help you build savings for your future. Equity is the difference between what the property (home, other structures and land) is worth and what a homeowner owes against that property (the difference between the house value and the remaining mortgage on a house.) Your equity builds as you pay down your loan and as your home appreciates.

A home also provides many tax benefits from the time you buy it right on through to when you decide to sell. Those deductions have the potential to reduce your taxes significantly. That's because you can usually deduct mortgage interest and real estate taxes (property taxes) from your income when you file your federal income tax return.

Another advantage to owning a home is the effect it has on your community and neighborhood. Homeowners tend to take better care of their homes than renters and therefore, increase the quality of the neighborhood. Even children of homeowners gain substantial benefits. Generally, they live in safer neighborhoods, go to higher quality schools, have yards of their own and have more parks to play in, and have a higher sense of pride toward their community.

A home also provides many tax benefits from the time you buy it right on through to when you decide to sell. Those deductions have the potential to reduce your taxes significantly. That's because you can usually deduct mortgage interest and real estate taxes (property taxes) from your income when you file your federal income tax return. For specific tax advice, consult a qualified tax professional.





What are the drawbacks of owning a home?

While there are many benefits of owning a home, there are also drawbacks. Some of the challenges of homeownership include a decrease in mobility, routine property maintenance, annual or semi-annual taxes, and housing insurance. If not well thought through, the cost of ownership can be high and may put strain on family finances.

Home Maintenance

Properly maintaining a home is a big financial commitment. Will you have available funds to replace a water heater, leaky roof, frozen pipes, or air conditioning unit? Maintenance on a home can be a large expense, especially unexpected repairs. Making sure you have funds available for these repairs will make homeownership more enjoyable and less stressful.

CONSIDERATIONS BEFORE BUYING A HOME

Before you set your heart on buying a home, there's a lot you need to consider before you begin the process of looking at houses. Thinking through who will live in the home, what span of time you are going to live in the home, where the best place and most affordable place you can buy is, and how you will finance your home are all questions that will be helpful in your house-hunting preparation.

Answering these questions will help you begin planning for homeownership.

- Who will live in the house? A spouse/significant other, a roommate, your children, your elderly parents - knowing who will live with you helps determine how much room you will need, such as the number of bedrooms.
- What span of time do you plan on staying in the house? Are you newly married and looking for a starter home? Are you planning to have children and will need more room in the future? Do you have a moderate income today but know you will get a better job when you earn your degree? Are you looking for a home to live in the rest of your life? Are you retiring and need a smaller home? Determining the span of time you will possibly live in the house will help determine your home buying goals.
- Where can you afford to live? Do you want to live in the least expensive home in the most upscale area? Do you want a more expensive home in a not so popular area?
- Your biggest goal setting objective is how you finance your home. Have you saved enough for a 20% down payment for a traditional home loan? If not, what are the best options for a low down payment home loan?

Another factor to consider is whether you have what financial institutions want in a borrower. Your credit history, job history and bill payment history will help determine how easily you can qualify for a loan.

First, check your credit rating. Most financial institutions, including Wright-Patt Credit Union, can check your credit for you. There are many online services, such as www.annualcreditreport.com, that can provide you with your credit report.

Once you receive your credit report, review it for discrepancies. Work with the credit reporting agencies to clear up any discrepancies before you apply for a home loan. Check to see if your lender offers a credit counseling program, such as Wright-Patt Credit Union's partnership with GreenPath Debt Solutions, to help resolve any credit issues. Your credit doesn't have to be perfect to become a homeowner; however, you may have to pay a higher interest rate on your mortgage loan if you have a lower credit score. By improving your credit rating, you will have more options when applying for a loan and you may lower your house payment.

Job history is also important. Your job history lets your financial institution know the stability of your employment. They want to know you have a job and can keep a job in order to pay back the loan.

Pay your current bills, such as utility bills and student loans, on time. It lets your lender know you are responsible for paying your debts in a timely fashion.

Affordability and Budget

As your credit union, we can help you calculate a loan amount based on your qualifications. Like most lenders, we look at debt-to-income ratios to get a better grasp on a person's current financial picture to determine credit-worthiness. Debt to income ratio is when a lender compares your monthly income against your ongoing monthly debt payments, such as (credit cards, student loans, auto loans, etc.) This ratio is one of the most popular approaches for evaluating if you have too much debt. When buying a house, lenders look for your debt to income ratio to be between 30-40%. The higher this ratio, the more burden there is on you to make payments on their debts.

When planning a house budget, you should budget 25% of your income for housing costs. Keep in mind that when budgeting for a house payment, you should consider future obligations and not just your current financial situation. Property taxes and homeowner's insurance are part of your housing costs and will be an additional part of your mortgage payment.

Down Payment

The amount you have saved for a down payment is an essential component when choosing a loan. Your credit union mortgage loan originator can provide you the options corresponding with the amount you have for a down payment. The more you have saved for a down payment, the less you will pay on a month-to-month basis. It is even possible to lower your interest rate by putting more money down.

The biggest hurdle for some homebuyers, especially first-time buyers, is coming up with enough cash to cover the down payment and other up-front costs. There are some additional ways to come up with the money you need.

You may want to check into loans backed by government agencies. You may qualify for a loan from the Federal Housing Administration (FHA), which offers loans with low down payment requirements, or the Department of Veterans Affairs (VA), which offers loans with no or low down payment. Additional information on other down payment assistance programs in your local area may also be found by going online and searching "home loan down payment assistance" followed by your city and state.

Pre-Approval

Before you begin looking for a home, get pre-approved for a loan through your lender. At Wright-Patt Credit Union, you can get pre-approved for a home loan by working with our loan originators or by going online to our websites, www.Wright4YouMortgage.com or www.wpcu.coop, and selecting "Mortgage Application" under "Apply Online" today. Pre-approval means your credit has been pulled and your income and debts have been analyzed. If you qualify, you will be provided with a pre-approval letter. This letter lets your real estate agent and/or a seller know you are a serious buyer and ready to make an offer when you find the home of your dreams. Be aware that you have a time limit to use a pre-approval letter. Ask your lender for details.

Typically, a pre-approval letter states the maximum amount you are qualified to borrow, the various loan programs you are qualified for and the interest rates associated with those loan programs. It is not a binding contract, nor does it mean your lender is obligated to lend you the money you are pre-approved for. The pre-approval process can cost between \$50 - \$400.

Closing Costs

When you are ready to close on your house, you will be required to pay fees, referred to as closing costs. These fees are paid by the buyer and are for processing of paperwork by your lender. Closing costs are 2% to 4% of your home's sale price. Sometimes sellers are willing to pay some or all of your closing costs as an incentive for you to buy their home (See Closing, page 15).

Mortgage Payments

Mortgage payments include: principal (the actual payment that goes toward the ownership of the home), interest (the fee charged for borrowing money), property taxes, homeowner's insurance and private mortgage insurance (PMI) which is necessary should you make a down payment less than 20% of the home's sale price. Taxes and insurance are paid out of an escrow account and will be paid by a third party (See Escrow, page 16).



REAL ESTATE AGENTS

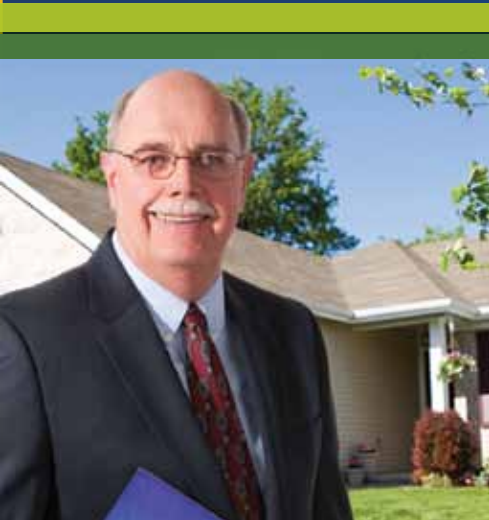
Do I Need One?

Working with a licensed real estate agent offers you the expertise of finding the right home and guiding you through the home buying process. There are two types of agents: the seller's agent and the buyer's agent. The seller's agent represents the best interest of the person who is selling their home. The buyer's agent represents the best interest of the person who is buying a home. The difference is that a seller is paying the real estate agent's commission. Typically, the agent's commission is 6% of the sale price of the home, unless negotiated by the seller. When a buyer works with an agent, the seller's agent will split the commission with the buyer's agent. The buyer does not pay commission to their agent.

Where Do I Find An Agent?

Referrals are a great source when looking for a real estate agent. Your trusted credit union works with agents and can recommend one. If several agents have been recommended to you, interview a few. Ultimately it is your choice to find the agent you can work well with and who understands what you are looking for in a perfect home. Once you find an agent and the home you are looking for, the agent will draw up a Purchase Contract for you. Contracts vary per agent so it is advisable to discuss the contract with the agent prior to signing the agreement. Once you have selected an agent you can expect them to help you with:

- finding homes that meet your criteria
- touring homes
- making and negotiating an offer and counter-offer, if necessary
- expert advice on home buying questions
- paperwork at closing of the home



Home Rebate Programs

Wright-Patt has a rebate program for our members that is designed to save them hundreds or thousands of dollars. By using a real estate agent who participates in a rebate program, the buyer or seller can save money on their real estate transaction. The rebate is a discount to the buyer or seller on the agent's commission that they earn on the sale of the home. The discount can be used in several ways but is dependent on state law. If permissible by law, the most common way for a buyer to use a rebate is off of closing costs. In this instance, the rebate amount will be less money the buyer pays for closing costs and is reflected on the HUD/Settlement Statement (See At the Closing or Settlement Table, page 16). To help make homeownership more affordable, Wright-Patt's Home Rebate Program pays a rebate equivalent to 20% of your real estate agent's commissions when our members use one of our qualified Realtor® partners.

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Agent must be selected through Wright-Patt Credit Union or CU Realty. Rebate provided by CU Realty Services, Inc. WPCU is in partnership with CU Realty Services, Inc. and CU Realty of Ohio, LLC. Some restrictions apply.

HOME BUYING PROCESS

Finding a Lender

The most important decision in your home buying process, other than selecting the perfect home, is to find a mortgage lender that has a lending program that best fits your needs. Working with a reputable lender is important. You will want to select one that works to provide you with the right loan to meet both your short and long-term homeownership needs.

Once you have reviewed your credit, payment and job histories, you can begin to shop for a Wright-Patt Credit Union home loan program that fits your budget and needs.

There are two types of lenders: direct lenders and mortgage brokers. Direct lenders are those that have money on-hand to lend to you for the purchase of a home, such as Wright-Patt Credit Union. Mortgage brokers are those that shop for a loan for you, but receive a cut of what you pay. Wright-Patt loan originators will advise you on the loan product that best suits your financial needs. If you don't have the time to research to find a loan, working with a mortgage broker may be the answer. However, be aware, if the broker is paid on commission these loans can be high interest rate loans that make them the most money. Once they have done the paperwork they will pass your loan off to the lender that they found.

Beware of Predatory Lending

Predatory lending occurs when a mortgage loan with unwarranted high interest rates and fees is set up to primarily benefit the lender or broker. The loan is not made in the best interest of the borrower, often locks the borrower into unfair loan terms and tends to cause severe financial hardship or default.

Here are some tips to help you determine if a loan is predatory:

- Read and get copies of everything you sign in connection with your mortgage.
- Do NOT sign blank forms. Forms should be completely filled out with no blank boxes or spaces.
- Make sure the rate and terms quoted by your lender and/or broker are given to you in writing and do not significantly vary from those presented at closing.
- Never falsely state or allow others to falsely state your income. You won't have your dream home very long if you can't afford to make the payments.
- If a deal seems to be too good to be true, it probably is!

To learn how to protect yourself from predatory lending, visit <http://com.state.oh.us> and search "What is Predatory Lending." You can also visit HUD's website at www.hud.gov. For specific information about predatory lending, go to the "Consumer Info" section and click on "Avoid Predatory Lenders."

Source: Portions of this section, Predatory Lending, were provided by The Ohio Department of Commerce, Division of Financial Institutions, and Office of Consumer Affairs.

LOAN APPLICATION PROCESS



The loan application process may seem complicated, but if you are prepared you will find the process less intimidating. Your approval process will begin with Wright-Patt Credit Union verifying your finances. Documentation requirements vary by lender. In most cases, you will need the following to confirm your financial situation:

- Your application will ask for your name, Social Security number and other pertinent information. You may need to provide your current landlord's contact information and possibly a letter from them stating that you have paid your current rent on time and as agreed.
- W-2 forms, along with tax returns for the past two years.
- Information concerning your employment.
- List of debts, such as auto loans, credit cards, student loans. Include account numbers, amount owed, monthly payments and the address of the creditor.
- Financial documents, including checking, savings, IRAs, stocks, bonds, insurance policies, etc.
- Assets, such as cars, boats or other property.
- Divorce decree or separation agreement, if applicable.
- If you are self-employed or paid on commission, including income that is from sources that are hard to prove, you will need tax returns and a current profit and loss statement.

Basic Mortgages & Special Lending Programs

Buying a home is a big financial commitment. Wright-Patt Credit Union understands how difficult it can be to have the necessary funds to buy a home. We will work with you to make your American Dream come to life. If you feel homeownership is a commitment you are ready to make but may need some additional help in finding the right funding, look to your credit union for special lending programs that can help you buy a home. At Wright-Patt Credit Union, our mortgage originators work with first-time homebuyers to ensure their monthly home loan payments fit within their monthly budget.

Basic Mortgages

Basic mortgages include fixed-rate and adjustable-rate (ARM) mortgages. A fixed-rate mortgage is a loan in which your monthly principal and interest mortgage payment will not change for the life of your loan. You will pay the same interest rate from day one until you pay the loan off, typically in 15 or 30 years. An adjustable-rate mortgage is a loan that fluctuates with the interest rate in the credit market. You may start out with a low interest rate for the first year or more. Once this time period is up your interest rate will either move up or down depending on the market interest rate; however, the amount your interest rate can increase is limited to a maximum percentage, called a cap. How often your interest rate can adjust is limited as well. Make sure you know the details of how much the interest rate can increase as well as how often the interest rate can change.



Some financial institutions offer special government insured lending programs, such as Federal Housing Administration (FHA) and Veteran's Administration (VA) programs. These loan programs offer minimal risk to the lender as the loans are guaranteed to be re-paid. Check with Wright-Patt Credit Union regarding the details of these programs. Be aware that not all lenders offer these types of loans.

Good Faith Estimate

Lenders are required to provide a good faith estimate of your closing costs within three days of accepting your mortgage application. Closing costs can vary between 2% and 4% of the home's sale price. It is advisable to wait until you have reviewed each lender's good faith estimate before committing to one. Compare fees and ask questions of any discrepancies between each lender's estimates. Remember that this is only an estimate and the actual closing costs may vary. You should be informed of the exact amount of your closing costs one day before closing on your home. Lenders are required to provide you with a government publication, A Home Buyer's Guide to Settlement Costs, which will explain the closing fees charged by your lender.

While all mortgage lenders are required by law to provide you with a good faith estimate, once your loan is approved at Wright-Patt Credit Union we will go one step further and will even **GUARANTEE** that your closing costs will not exceed the good faith estimate from your loan approval. If they do, the credit union will pay the difference!

FOUND A HOME, NOW WHAT?

Great, you found YOUR HOME! Now what? Your real estate agent will write a contract letter outlining your offer. You may be able to negotiate a lower sale price, new carpet, new roof, or ask the seller to leave an appliance, such as the refrigerator.

Offer

Offers need to be in writing and your agent will do this for you. Your agent sets the time frame of when the offer needs to be accepted so ask them what time frame they require the seller to get back with you. Remember, once you put an offer on a house, you cannot put an offer on another home, unless you intend to buy that home as well. If you put an offer on a home and you break any guidelines set before you, you forfeit any earnest money deposit that you put down (see Earnest Money Deposit below).

If the offer is accepted – congratulations! The hardest part is over. After the offer is accepted, you will work with your agent to determine a closing date, typically 30 days later. Most often, people choose to close on homes at the end of the month in order to minimize the amount of interest they must prepay on the mortgage.

Counter-Offer

If your first offer is not accepted, all is not lost, unless the seller has accepted a better offer from someone else. Reconsider what you offered the seller and come up with a counter-offer. For example, instead of asking for new carpeting throughout the house, you can ask the seller for a carpet allowance where the seller will provide a certain amount of money to go toward new carpet.

Ask your agent about their thoughts on renegotiating your offer.

Earnest Money Deposit

If you are interested in a home but are waiting on financing, you most likely will put down an earnest money deposit to hold the property until your financing is secure. Typically, you put down between 1% - 2% of the sale price to hold the property. Your Realtor can also help you determine the amount of earnest money required. You will receive your money back at closing and it can be used toward your closing costs, down payment or you can take the check home with you. It is important to get the terms of how the money will be returned to you should the sale of the home fall through.

If your offer is accepted, the earnest money will be put into your escrow account. The money will be used toward your closing costs or toward your down payment.

FINAL STEPS

You're in the home stretch with just a few steps left to homeownership!

Final Loan Approval

Your mortgage lender may review your financial qualifications once again to ensure your financial situation/credit history has not changed since the initial pre-approval letter.

Appraisal

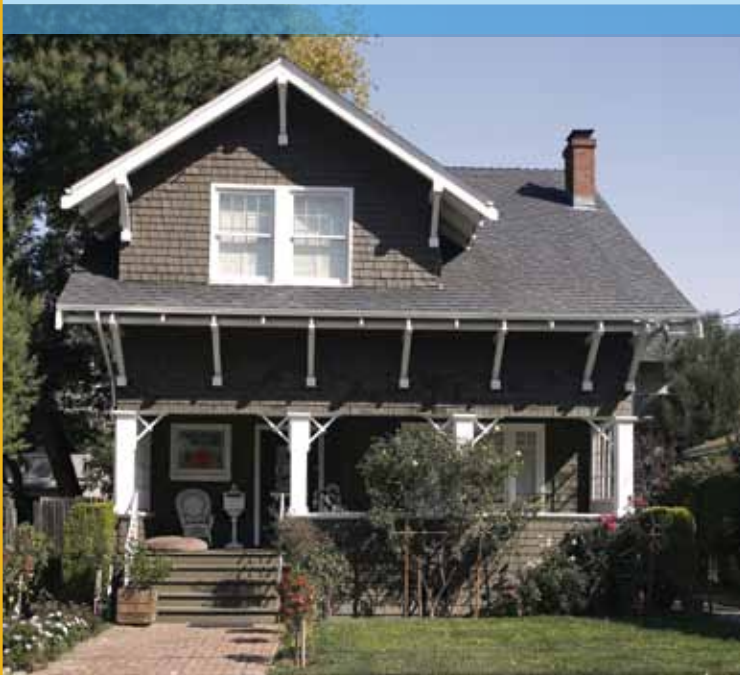
Once the lender has actually approved your loan amount, and to get market value, they will want you to have the home appraised. The value of your home must support your loan amount. The house must meet the lender's guidelines, sometimes requiring the home to appraise for the sale price or more, should they need to re-sell the home due to non-payment of the loan.

Title Search

Your lender may require a title search to ensure the home is free of outstanding liens and any legal action.

Inspection

While lenders do not require you to have a home inspection, it is in your best interest to make sure the property is worth the amount of the loan. The inspection shows the condition of the home and assesses if any repairs are needed. You may choose from a whole house inspection or individual inspections of the home's plumbing, electric, HVAC, fireplace, chimney, etc. Ask your Realtor to go over the cost differences with you. Ask the real estate agent for a referral of a reputable home inspection company. We recommend that you have both the interior and exterior structures checked, as well as major systems such as plumbing, electrical, heating and cooling systems. It is important that you are present at the time of inspection so you can see first-hand what issue the home inspector ran into, if any. The home inspector will give you a report with descriptions of any problems found with the property.



CLOSING

Your closing date will be set when your real estate agent, lender, closing agent and the seller can be present. You will sign all mortgage loan paperwork, the seller will execute the deed to the property, and the lender will collect and disburse the funds. The closing agent will make sure the property is legally transferred to you as the owner of the home.

While it seems there are countless new words and phrases heard during a closing, they all serve a purpose. Some of the most important terms are:

- **Deed** - This is the document that transfers the ownership of the property from the seller to you.
- **Note** - A promise to pay the lender according to the agreed-upon terms. It details all the terms of the loan, including any penalties the lender will impose if you default. It also explains your right to prepay the loan (that is, pay off your mortgage before your loan period is up) and specifies if there are any prepayment penalties.
- **Mortgage** (or “**deed of trust**,” in some states) - This is the legal document that secures the note and gives the lender the right to take your house if you default.
- **Reserves or escrow accounts** - At closing, your lender may set up an escrow account into which you will make monthly deposits to cover your premiums for hazard insurance and PMI, if you have it, and also property taxes.
- **Interest** - You will need to pay the interest covering the period from the closing date to the date of the first mortgage payment. For instance, if you close on June 12 and your first mortgage payment won't be made until August 1 (for amounts accrued in July), you'll need to pay the interest covering June 12 to July 1.
- **Processing or Underwriting Fee** - Fee charged by the lender for paperwork processing of the loan.
- **Settlement or closing fee (or escrow fee)** - Fee the title company or escrow company charges to hold the closing in its office and to perform closing duties.
- **Document preparation fee** - Paid to lender or title company/attorney for preparing closing documents.
- **Loan origination fee** - Paid to the lender to cover the administrative costs of the loan. This may be a fixed dollar amount or a percentage of the loan, such as 1%.
- **Loan discount points** - Or just “points.” Points lower the rate charged by the lender. Each point equals 1% of the loan amount.
- **Flood determination fee** - Paid to the lender to determine if the property is in a flood hazard area and needs flood insurance coverage.
- **Private mortgage insurance** - If you need PMI because your down payment was less than 20%, you may have to pay the first year's premium at closing. Typically this is not required; the PMI premium is added into your monthly payment instead.

- **Hazard insurance premium** - You may need to pay the first year's premium (maybe more) at closing, or just bring proof that you already paid it.
- **Document preparation fee** - Paid to lender or title company/attorney for preparing closing documents.
- **Title insurance** - Comes in two types of policies: lender's and buyer's. This protects each of you if any title problems turn up later that the title search didn't find.
- **Title search** - Assures that the seller owns the property and that there are no liens (legal claims against the property).
- **Recording and transfer fees** - State or local governments often have a tax on property transfers.
- **Survey** - The lender may require this to confirm the property's legal description.
- **Pest inspection** - Fee for termite inspection, if required. Frequently, sellers pay this cost.

Escrow

Escrow means to transfer property or funds to a neutral third party. The escrow account is used to pay property taxes, fire and hazard insurance premiums, mortgage insurance premiums and any other required fees throughout the year. The escrow account is helpful for two reasons: one, it ensures that all fees are paid in a timely fashion; two, it provides an account to pay fees in a lump sum without the borrower having to come up with more money when these fees are due.

At the Closing or Settlement Table

This closing process will lay out the terms of your loan. The process varies by the state, city or county you are closing your mortgage in. If you don't pay the mortgage back, your mortgage contract will allow your lender the ability to put a lien against your home through a process called foreclosure. Your main role is to be present, to understand the documents, and to sign the documents. At the closing table you will be given a HUD or Settlement Statement. This statement outlines how money will be disbursed and to whom it will be disbursed: to the seller, the real estate agent, the lender and various other third parties. It will also provide you with the amount of money you will need to pay at the closing.

Once all paperwork is signed and funds are disbursed, you are now the owner of a new home! Congratulations! This is the moment you've worked for - the moment you realize the American Dream.

IMPORTANT CONTACTS

LENDER

Lender's Name

Financial Institution

Phone

Fax

Notes

REALTOR

Realtor's Name

Company

Phone

Fax

Notes

LAWYER

Lawyer's Name

Firm

Phone

Fax

Notes

TITLE COMPANY

Underwriter's Name

Firm

Phone

Fax

Notes



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All loans subject to credit approval and property appraisal.